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IN THE

Supreme Court of the United States

October Term, 1931.

No. 332

J. HOWARD LEMAN,
Administrator C. T. A. of the Estate of
George E. Belcher, and
GEORGE E. BELCHER COMPANY,
Petitioners,

v.

KRENTLER-ARNOLD HINGE LAST COMPANY,
Respondent.

ANSWER OF RESPONDENT TO PETITION FOR WRIT OF CERTIORARI AND BRIEF IN SUPPORT THEREOF.

ROBERT CUSHMAN,
OTTO F. BARTHEL,
Specially for Respondent.

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Respondent.

ANSWER OF RESPONDENT TO PETITION FOR WRIT OF CERTIORARI.

On petition for writ of certiorari to the United States Circuit Court of Appeals for the First Circuit.

Krentler-Arnold Hinge Last Company, by its attorneys appearing specially, answering the petition herein filed by J. Howard Leman, administrator C. T. A. of the Estate of George E. Belcher and George E. Belcher Company for a writ of certiorari, respectfully represents as follows:

The United States Circuit Court of Appeals for the First Circuit properly denied the petitioners' right to recover the profits derived by the respondent from the manufacture and sale of an article in alleged violation of an existing order of the District Court of Massachusetts enjoining the infringement of Letters Patent of the United States of America.

The petitioners elected to enforce the existing decree and by so doing elected not to assert its right to a recovery of damages and profits on a new cause of action.

There is no conflict of authority on the right to recover, as a fine for contempt of court, the respondent's profits between the decision of the Circuit Court of Appeals for the First Circuit and the decisions of any other court because the petitioners have shown no decision of any court wherein any contention such as the one submitted by the petitioners herein has ever been before submitted to a court for adjudication.

The District Court of Massachusetts has no jurisdiction of the person or of the property of the respondent.

Respondent respectfully asks that action of this honorable court on the present petition be withheld until after the filing of a cross-petition presenting for consideration questions of jurisdiction and of the substantive law of contempt with respect to the enforcement of decrees and injunctions in patent infringement litigation.

Wherefore the respondent prays that the petition be dismissed with costs.

ROBERT CUSHMAN,
OTTO F. BARTHEL,
Counsel for Respondent.

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Respondent.

BRIEF.

STATEMENT OF THE CASE.

The respondent was held in contempt for violation of a decree in equity suit No. 1853 in the District Court of Massachusetts, which final decree was entered March 1, 1928.

The petition initiating the contempt proceeding was filed June 4, 1929.

An interlocutory decree was made in the contempt proceeding directing a reference to the Master for the purpose of taking an account of the profits made by the respondent and also for ascertaining the cost and expenses including counsel fees incurred by the petitioners in the preparation and prosecution of the contempt proceedings.

The final decree in the contempt proceeding shows that the Master found that the respondent had made as profits the sum of thirty-nine thousand five hundred seventy-six dollars and twenty-six cents ($39,576.26) and that the petitioners had incurred as expenses for counsel fees for services in the prosecution of the contempt proceedings, the sum of six thousand, one hundred two dollars and seventy-two cents ($6102.72), and for expenses the sum of three hundred eighty-nine dollars and fifteen cents ($389.15), totaling forty-six thousand sixty-eight dollars and thirteen cents ($46,068.13) plus interest thereon from the date of the commencement of the contempt proceedings to the date of the final decree at six per cent (6%) per annum, amounting to three thousand two hundred twenty-four dollars and seventy-six cents ($3224.76).

Respondent appealed from the final decree in the contempt proceedings to the United States Circuit Court of Appeals for the First Circuit. On March 10, 1931, the said Court of Appeals, in a divided opinion, delivered its decision affirming the decree of the District Court except so far as it related to the amount of the fine. In that respect the decree was vacated and the case remanded to the District Court for further proceedings not inconsistent with their opinion. The Court of Appeals allowed no costs.

A dissenting opinion of one of the members of the said Court of Appeals was filed in which the dissenting

member of the court disagreed with the other members of the court in affirming the decree of the District Court.

His statement is as follows:

> "It seems plain to me that this is in effect a new infringement suit, determined under the guise of contempt proceedings to enforce the decree in the old infringement suit.
>
> By final decree dated March 1, 1928, the Krentler-Arnold Company was held an infringer of the Peterson patent No. 1,195,266. Meantime, Krentler got up a new device for a hinged last, applied for and obtained a patent, granted December 30, 1930, No. 1,786,540. This new device, at least in appearance, is very different from the Peterson concept. Whether on a new infringement suit, brought in the proper forum, the court would conclude the patent office wrong in not holding it anticipated by the Peterson invention, seems to be a fairly arguable question" (Rec. p. 207).

Thereupon the petitioners applied for a rehearing before the United States Circuit Court of Appeals for the First Circuit and on June 29, 1931, said Court of Appeals delivered its opinion on the said application for rehearing affirming its former decision, that is, vacating the amount of the fine and remanding to the District Court the said decree for further proceedings not inconsistent with the opinion of the said Court of Appeals.

During the accounting the testimony on behalf of the parties was stipulated and it was agreed that the respondent had sold the new structure to its own previous customers in substitution for another structure not involved in any of the litigation between the parties, and after the respondent ceased the manufacture and sale of the new structure, its customers resumed the use of the old structure for which the new structure had been substituted (Rec. p. 277).

The petitioners proved no damages or loss derived from the manufacture and sale of the new structure. The Court of Appeals on rehearing stated in its opinion, "neither the Master nor the court found that they suffered any damages" (Rec. p. 349).

REASONS FOR DENYING THE WRIT OF CERTIORARI.

The rights of the petitioners and their cause of action on their patent are merged in the decree of the court obtained in the original equity cause based on the petitioner's patent and on the respondent's structure presented to the court in proof of infringement.

There is no cause of action for infringement presented to the court in a contempt proceeding. It is assumed that all questions of fact and law have been settled by the decree of the court in the original cause and the proceeding in contempt is on the decree and not on any patent rights of the petitioners.

There is no cause of action created by violation of an existing order of a court on which a party can claim recovery of profits and damages for infringement. The petitioners have cited no authority for such a proposition.

There is no authority disclosed that any such contention has been heretofore expressly decided.

The petitioners had the right to elect whether they would seek to enforce the then existing decree of the District Court of Massachusetts or whether they would treat the manufacture and sale of the articles complained of in the contempt case as a new cause of action and proceed accordingly. They did elect to treat the subsequent

manufacture and sale of the articles complained of as not constituting a new cause of action for infringement and as a continuance of their prior cause of action and they did elect to proceed against the respondent, not on a cause of action for infringement but on the existing decree of the court in the original equity cause.

There is no conflict of authority between the present decision of the Circuit Court of Appeals for the First Circuit and the decisions of the Courts of Appeals of the other circuits cited by the petitioner.

In *McKee Glass Company et al. v. H. C. Fry Glass Company, 248 Fed. 125 (C. C. A. 3)*, there was no issue raised questioning the power of the court to award profits as a measure of a fine for contempt of court. There was presented for the consideration of the court the following items as reported by the Master: Profits, eight thousand dollars ($8000.00); royalty twenty-five hundred dollars ($2500.00); expenses and costs and Master's fee, forty-seven hundred dollars ($4700.00); additional compensation, ten thousand dollars ($10,000.00). Counsel on appeal waived all assignments except those relating to the ten thousand dollar and the twenty-five hundred dollar items. Consequently the question of profits as a proper allowance was not passed upon. Furthermore there is nothing in the report of the decision to indicate whether or not the amount allowed was as a fine for contempt or was for remedial relief for infringing acts committed before final decree in the original suit. The distinction is important, for a patentee is always entitled to recover damages or profits for every infringement until the completion of the accounting or possibly until the entry of final decree while the original cause is still be-

fore the court. If there has been a violation of a preliminary injunction the defendant may be fined for contempt and the patentee may be awarded the fine and may be also awarded profits or damages with respect to infringing structures but not because of the contempt but because the court is still seised of the original cause of action.

In *Monroe Body Company et al. v. Herzog et al., 13 Fed. (2d) 705 (C. C. A. 6),* the court was concerned with a violation of a preliminary injunction and fined the defendant for contempt and in addition the plaintiff was awarded the right to profits or damages but these profits or damages were recoverable by the plaintiff in the pending action even if there had been no preliminary injunction. The fine is called in the decision a private penalty and was directed to be paid to the plaintiff. The court has this to say: "A private penalty of this kind is imposed, not to compensate for assessable damages and profits, but with reference to those items of damages which are not thus assessable." Thus the Court of Appeals for the Sixth Circuit specifically refused to recognize the right of a party to recover assessable damages and profits in a proceeding to enforce an existing order of the court and independently of the existence of a pending action or enforcement of a patentee's rights.

In *Gordon et al. v. Turco-Halvah Company, Inc., et al., 247 Fed. 487 (C. C. A. 2),* the plaintiff obtained a consent decree for infringement and the violation complained of occurred after the consent decree. The District Court in its opinion awarded the plaintiff, "the expenses, damages and *loss of profits that the plaintiffs* had been put to by reason of the actions of the defendants served with

this order to show cause." *Gordon et al. v. Turco-Halvah Company, Inc., et al., 233 Fed. 430, 433.* (Italics respondent's.) Although it appears from the report of the decision in *247 Fed. 487* that the Master reported the defendants' profits and not the plaintiffs' loss of profits, this variance from the direction of the District Court went unnoticed, nor was there any objection taken to the right to award profits for infringement as a measure of the fine in a contempt case. There was, therefore, no such issue.

Moreover, the decision of the Court of Appeals for the Second Circuit occurred in point of time between the decisions of the same court in *Christensen Engineering Company v. Westinghouse Air Brake Company (C. C. A. 2nd, 1905), 135 Fed. 774, 782,* wherein the court said:

> "It is obvious that a fine exceeding the indemnity to which the complainant is entitled is purely punitive, and, notwithstanding the foregoing precedents to the contrary, we think that when it is imposed by way of indemnity to the aggrieved party it should not exceed his actual loss incurred by the violation of the injunction, including the expenses of the proceedings necessitated in presenting the offense for the judgment of the court. We are also of the opinion that when the fine is not limited to the taxable costs it should not exceed in amount the loss and expenses established by the evidence before the court."

and the later decision in *Cheatham Electric S. D. Company v. Transit Development Company (C. C. A., 2nd, 1919), 261 Fed. 792, 796:*

> "Contempt is not to be regarded as a source of revenue or additional damages to a complainant. A civil contempt, such as this, may result in reimbursing complainant, not for infringements as

> to which he may seek damages and profits before a master, but for losses and expenses to which he is subjected by the offender's contumacious conduct."

Thus it is evident that the United States Circuit Court of Appeals for the Second Circuit did not decide in *Gordon et al. v. Turco-Halvah Company, Inc., et al., 247 Fed. 487*, that a petitioner in contempt for violation of an injunction in a patent infringement suit is entitled to collect assessable profits or damages as for infringement.

There is therefore no ground for the petitioners' assertion of conflict of authority between the Circuit Court of Appeals as there is no authority whatever for their contention under the present proceedings.

No court has found it necessary, in the words of the petitioners at page 12 of their brief in support of their petition for writ of certiorari:

> "To uphold the dignity of the courts and respect for the injunctions and orders of the courts by making it unprofitable and unpopular to violate such injunctions and orders."

by awarding in a proceeding to enforce an order of the court damages and profits that are only recoverable in an infringement action on the patent.

The power of the court to "uphold the dignity of the courts and respect for the injunctions and orders of courts" by the writs of attachment, sequestration and assistance has been found sufficient for a number of years.

The District Court of Massachusetts obtained jurisdiction over the respondent which is a Michigan corporation organized and incorporated under the laws of the

state of Michigan and having its chief place of business at Detroit, in the state of Michigan, by the filing of its answer to a counterclaim by the petitioners in the original suit without objecting to the jurisdiction of the court over the person of the respondent which had no established place of business in the District of Massachusetts nor any property situated therein nor which had committed no infringement of the petitioners' patent within the District of Massachusetts.

Objection to the District Court's jurisdiction in the original action was taken on appeal and overruled on the ground of waiver by answering the counterclaim without objection.

Service of process in the present proceedings was obtained by a service of the order to show cause and copies of the contempt petition as follows: On James R. Hodder, Boston, Massachusetts, attorney of record for the respondent in the original suit. Registered mail to the respondent at its office in Detroit, Michigan. Registered mail to Fred Drew at Brockton, Massachusetts, on the erroneous assumption that he was a director of the respondent.

Respondent moved to dismiss the petition for contempt on the ground of lack of jurisdiction over the person and property of the respondent. The motion was dismissed and the respondent appeared specially, reserving in all proceedings its objection to the jurisdiction of the District Court of Massachusetts.

Respectfully,

ROBERT CUSHMAN,
OTTO F. BARTHEL,
Specially for Respondent.